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C O N F I D E N T I A L SECTION 01 OF 02 ROME 000150

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TAGS: [ECON](#) [ENRG](#) [EPET](#) [ETTC](#) [IR](#) [IT](#) [PREL](#)
SUBJECT: ENI RUSHES TO FINISH ITS WORK FOR IRAN

REF: A. ROME 00035
[1](#)B. ROME 00087
[1](#)C. ROME 00001
[1](#)D. REPORT 3/79/11-10

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Classified By: Classified By: Classified By: DCM Elizabeth Dibble
for reasons 1.4 (b) and (d)

[1](#)1. (C/NF) Summary: In the latest of a series of letters to senior USG officials, the Italian energy company Eni claims that it will conclude its expansion work in Iran, including in the Darquain field, by the end of March. Eni officials told us that their work will end not as a result of USG pressure, but because Eni will have fulfilled its contractual obligations to Iran. Eni remains fearful of ISA sanctions and will continue to lobby Washington for a pass. Company officials will likely point to this impending halt in an effort to fend off possible U.S. sanctions. PM Berlusconi and Foreign Minister Frattini have toughened their rhetoric on Iran, with both associating the GOI firmly with the U.S. approach on new sanctions. Eni has been deceptive in the past about its Iran operations - its pledge to halt work within three months should be independently confirmed. End summary.

[1](#)2. (C/NF) Following up on mid-January meetings with senior USG officials in Washington, Eni CEO Paolo Scaroni asserted in letters to the Department of State that his company plans to end its "investment and activities" in Iran by the end of March, leaving in place only a small administrative team to collect the remaining \$2 billion dollars in reimbursements Eni says it is owed. Eni estimates it will recover those reimbursements by early 2014, "if all goes well." Until those Washington meetings, Eni had maintained that its remaining investment work in the Darquain field would be finished by mid- to late-2010. Eni officials had also

previously claimed that the company retained the option of negotiating with Iran further extensions to its operations there in order to recover its investments.

13. (C/NF) Post met with Eni officials on January 27 to better understand this new three month deadline. The Eni officials confirmed that Eni will conclude remaining work in Iran around the end of March. They said this is based on a recent company assessment that revealed that work on the Darquain field could be finished within three months instead of later in 2010 as previously thought. They added that at that point Eni will turn over the Darquain field operations to the Iranians and would not conduct any additional exploration and development drilling activities there, though the Iranians could on their own conduct more drilling. Pressed for further details, Eni officials said production from the Darquain field will reach 160,000 barrels of oil per day (up from 100,000 barrels per day in 2008), as specified in the contract, when the company concludes its work there. Eni officials did not provide a clear response when asked about their previous position on negotiating extensions of the Iran operations to recover investments, and referred back to the three month end-date of operations. They stressed that Eni's decision to halt further expansion in Iran comes not as a result of USG pressure, but instead results from the company having already met its contractual obligations to the Iranians. They conceded however that this decision was also influenced by "the sensitive Iranian international situation."

14. (C/NF) Significantly, both PM Berlusconi and Foreign Minister Frattini have made public statements regarding Eni's reduced role in Iran; Berlusconi's comments from Israel

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provoked a prompt Iranian response. At a press conference during his February 1-3 visit to Israel, Berlusconi said that Eni had already canceled its participation in the third phase of "an important oil project" in Iran (i.e. the Darquain field). Berlusconi, however, noted that Eni will remain in Iran to fulfill existing contracts that should not be the subject of sanctions, and suggested that the GOI's one-third ownership of Eni will keep the government looking after its interests in the company. Berlusconi also told Secretary of Defense Gates on February 6 during his Rome visit that Eni CEO Scaroni would be traveling to Israel to meet with PM Netanyahu to brief him on Eni's activities in Iran. FM Frattini similarly told the press that "Italy will be firm in blocking new investments in (Iran's) petroleum and gas sectors." The Iranians fired back saying in press statements that negotiations continue with Eni over the third phase development of the Darquain field, and called Berlusconi a "servant of Israel." Eni CEO Scaroni subsequently joined the fray to try to set the record straight. The Associated Press (AP) quoted Scaroni on February 4 saying that Eni will pull out of Iran after current contracts to develop two gas fields there run out, and that Eni "...will continue to abstain in the future."

COMMENT

15. (C/NF) Eni's claim that it will halt its Darquain field expansion in three months can be seen as good news and bad news: If true, a major European energy company will be ending important support for Iran's energy sector, but it would be doing so only after having significantly increased Iranian energy production capabilities.

16. (C/NF) Eni remains concerned about an investigation under ISA, as well as about proposed new Congressional sanctions legislation; the company will continue to lobby Washington. For example, Eni officials plan to meet House Foreign Relations Committee staffers during the week of February 16 (Ref B). They will almost certainly claim that this new

three month deadline is evidence of Eni's desire to cooperate with us on Iran. Scaroni's unusual trip to Israel may also be part of a lobbying effort aimed at avoiding U.S. sanctions. Given the history of Eni's misleading statements regarding its Iran operations, all statements from the company should be independently verified (see Ref D). End Comment.
THORNE